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RUEHME/AMEMBASSY MEXICO PRIORITY 6694  
RUEHBU/AMEMBASSY BUENOS AIRES PRIORITY 0107  
RUEHFR/AMEMBASSY PARIS PRIORITY 0282  
RUEHUNV/USMISSION UNVIE VIENNA PRIORITY 0056  
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY  
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY  
RUEAIIA/CIA WASHDC PRIORITY  
RHEHNSC/NSC WASHDC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
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S E C R E T SECTION 01 OF 03 TEGUCIGALPA 001469

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E.O. 12958: DECL: 08/14/2031  
TAGS: [PGOV](#) [PINR](#) [EPET](#) [HO](#) [VE](#)  
SUBJECT: HONDURAN VP SAYS PRESIDENT SEEKS CLIMATE OF  
"PERPETUAL CRISIS"

REF: A. A. TEGUC 1430

[1](#)B. B. TEGUC 1393 AND PREVIOUS

Classified By: AMB Charles Ford for reasons 1.4 (b) and (d)

[1](#)1. (S) Summary: Vice President Elvin Santos, an outsider within his own government, continues to work to moderate the influence of President Jose Manuel "Mel" Zelaya Rosales' leftist advisors. At Zelaya's request, Santos recently again publicly pledged loyalty, but remains true to his free-market principles. Santos is deeply troubled by the influence these advisors wield over Zelaya's thinking, and the centralization of all decision-making into their hands. Santos is most concerned by what he sees as Zelaya's preference for crises, which he says allows Zelaya to portray himself to the public as a "savior". In the case of the recent teachers' strike, Santos alleged, Zelaya actively encouraged teachers (through back channels) to demand ever more, as a means of prolonging the confrontation. Santos fears that Zelaya did so in a bid to further raise his own stature and make himself appear all the greater for resolving it. End Summary.

[1](#)2. (S) In his characteristically polite and respectful way, Vice President Elvin Santos was highly critical of President Jose Manuel "Mel" Zelaya Rosales during an August 11 private talk with Ambassador and EconChief. Santos, a political novice, called the meeting to convey his concerns about recent developments, and to explain his apparently on-again, off-again relationship with Zelaya. He openly sought continued Embassy support in pushing back against the harmful influence of Zelaya's leftist-oriented inner circle of advisors.

[1](#)3. (S) Prior to his late-July vacation in the United States, Santos had given an interview to right-of-center daily El Heraldo in which he was critical of the fuel solicitation process and dismissive of Venezuela as a possible solution to Honduras' energy challenges. Instead, he said, Honduras must develop a comprehensive energy strategy and diversify its

energy supply. Despite its reasoned message of self-reliance, hard work, and respect for private investment, the interview was quickly portrayed by Santos' opponents on the left as "disloyal" to the President. When Santos returned, he found himself at the center of a political firestorm, and under pressure from the President to publicly join ranks (ref A). Santos, having already made his point with his interview, agreed to do so.

14. (S) This careful balancing act -- remaining true to his own free-market principles while supporting the President enough to retain at least some access and influence -- has been a hallmark of Santos' first six months in office. Santos is not a member of the President's inner circle, and indeed conducts his business from a home office rather than an office in the Presidential palace. Santos confirmed what Post has heard from several others: that the President and his inner circle meet privately, late into the early morning, to set policy. Zelaya, he lamented, reads whatever script his advisors give him, goes to the events they designate, and dutifully repeats the points he's been given.

15. (S) According to Santos, Zelaya is more comfortable with the leftist ideology of his advisors than with that of the U.S. Zelaya is drawn to the romantic image of the left, a trait his advisors exploit. "They are masters of disguise... They are incredibly good at telling you whatever you want to hear." While this tendency, and the influence wielded by Zelaya's advisors clearly troubled Santos, there have been small victories. Santos continues to struggle quietly (backed by other, more moderate Liberal Party voices such as former President Carlos Flores) to contain the leftist and populist influences. "Things are much better than they were in February" when Zelaya first took office, Santos told

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Ambassador. "Back then, he (the President) was talking about creating state-run companies for every sector."

16. (S) To understand the policy muddle in which the Zelaya administration now finds itself, Santos said, one must remember three things: First, he said, the oil controversy has little to do with geopolitics or energy, and everything to do with acquiring soft financing for Liberal Party social spending. "He wants to be seen as everyone's savior." This policy of handouts and subsidies would also create a legacy for the Liberal Party, setting it up for future electoral victories. Second, he said, the political strategists and advisors around Zelaya have failed to vet their plans for legality. The fuel solicitation, for example, appears to private sector observers to violate a host of national and international laws and treaties, to be non-transparent, and subject to conflicts of interest. The President was reportedly meeting late into the night on August 10 with his advisors on this topic, and the consultant behind the scheme is now calling for a delay in implementation to review and possibly re-draft the Terms of Reference. Third, and of most concern, Santos said, both Zelaya and his advisors prefer a situation of "perpetual crisis" from which to govern.

17. (S) As evidence that the Zelaya team prefers crises, Santos cited the particularly disturbing example of the recent teachers' strikes. As reported previously, Honduras has seen weeks of labor unrest by teachers demanding massive pay raises -- increases that would almost certainly shatter the GOH agreement with the International Monetary Fund. Strikes and marches followed, culminating in street brawls involving tear gas and, in at least one incident, gunfire. Over the preceding several weeks the GOH had named a series of three different commissions to negotiate with the teachers. On August 3, labor leader Daniel Dubon (a member of the second commission) told Ambassador that the issue was essentially resolved, and that a deal would be signed by August 5. Santos confirmed Dubon's comment, but then explained what happened next: President Zelaya opened informal channels to other labor leaders, and encouraged them

to press for more. The Saturday deal fell apart and protests resumed, concluding only on August 10, when the GOH reportedly capitulated to the teachers' full demands. Zelaya perpetuated and exacerbated the crisis, Santos said, so that he could then arrive as the hero who resolved it.

18. (S) In a recent meeting with several visiting U.S. flag-rank military officers, former President Carlos Flores openly criticized this lack of leadership, and blamed it for Honduras' enduring poverty and underdevelopment. Lack of vision and lack of will to confront and resolve politically difficult structural problems continue to hold back social and economic development in Honduras, he said. It appears to Post that Zelaya, however, has taken this to a new level, not just abiding but actually encouraging crises, rather than expend the political capital to resolve these situations before they become crises.

19. (S) Comment: A preference for crises would certainly help explain the observed improvisational style exhibited by the Zelaya team. While Zelaya apparently views this style as decisive leadership, observers see only a government lacking vision, lurching from one crisis to the next. The private sector has repeatedly warned that this lack of predictability will frighten away potential investors. Given his advisors' distrust for markets and investors and reported affinity for state controls on the economy, we fear that this warning might serve less as a dissuasion and more as an incentive. (For example, the GOH has in just the last few months proposed nationalizing all fuel imports, having the government set credit card interest rates, and banning all open-pit mining, and President Zelaya has expressed his wish for the GOH itself to purchase leading gasoline retailer

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110. (S) Comment continued: Worse, the recent fiscally unsustainable decision on teachers' wages could set the administration on a collision course with the IMF and international donors, a confrontation that, given his personality, Zelaya might relish as a chance to be seen as standing up to outside forces. As with his other populist tactics (denouncing international companies in fiery speeches, disbursing broad subsidies, and centralizing all decision-making authority to himself and a few insiders), such a confrontation would raise his stature even while it erodes the bases of his economy. Santos and others recognize that the long-term consequences of such an approach could be disastrous for Honduras. Santos requested that the Embassy continue to support him in his efforts to curb Zelaya's excesses, and in return pledged his best efforts to assist Post to do the same. Post assesses that Santos is genuine in his request, and will continue to work closely with him. End Comment.

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